

MARION COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

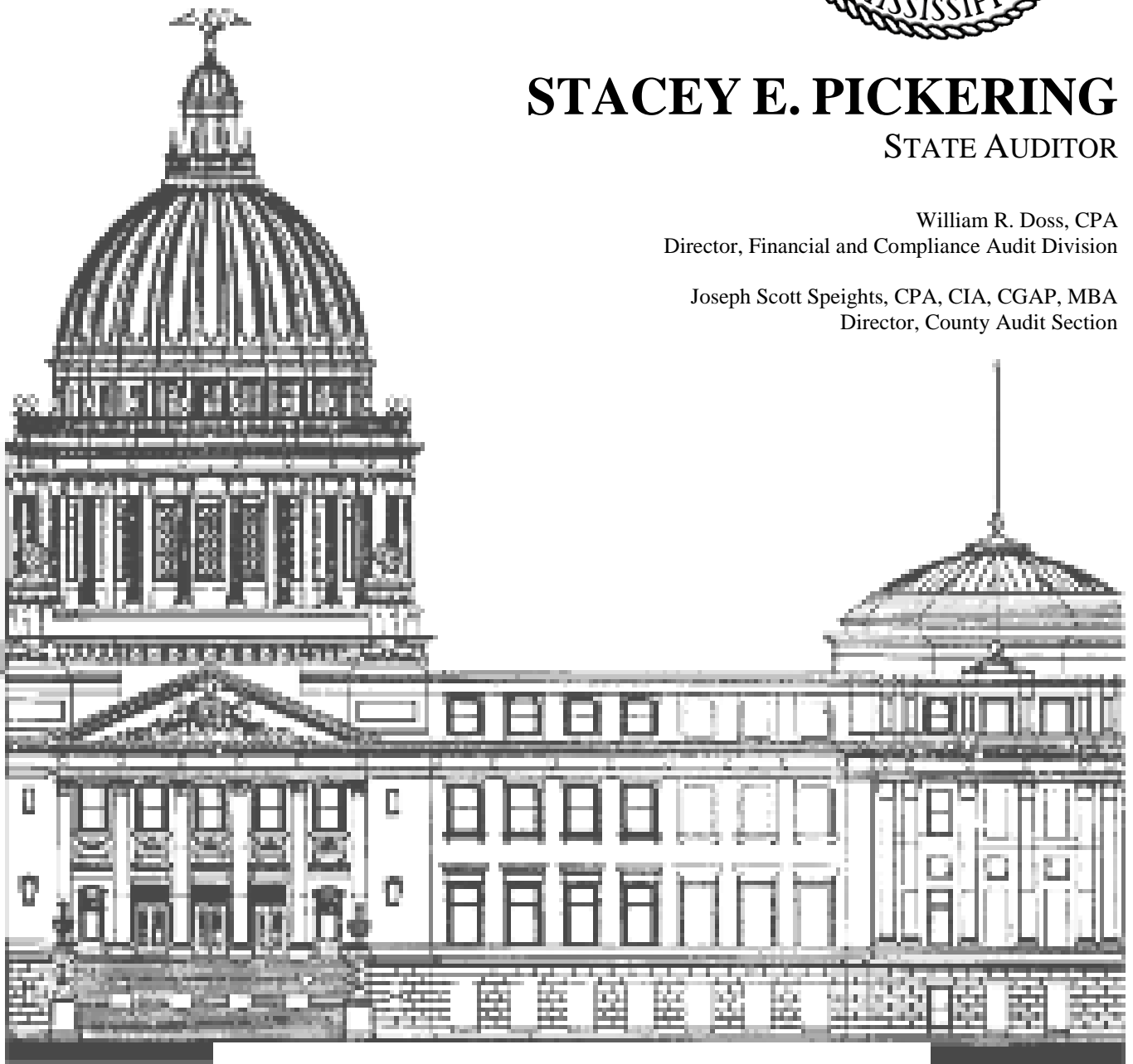


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

January 7, 2013

Members of the Board of Supervisors
Marion County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for Marion County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Marion County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Marion County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

MARION COUNTY
TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	5
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet – Governmental Funds	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	12
Statement Net Assets – Proprietary Funds	13
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	14
Statement of Cash Flows – Proprietary Fund	15
Statement of Fiduciary Assets and Liabilities	16
Notes to the Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	35
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	37
Notes to the Required Supplementary Information	39
SPECIAL REPORTS	41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43
Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	45
Limited Internal Control and Compliance Review Management Report	51
SCHEDULE OF FINDINGS AND RESPONSES	53

MARION COUNTY

FINANCIAL SECTION

MARION COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Marion County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Marion County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

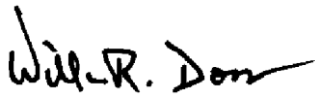
In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2013, on our consideration of Marion County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Marion County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

A handwritten signature in black ink, appearing to read "Will R. Dooss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 7, 2013

MARION COUNTY

FINANCIAL STATEMENTS

MARION COUNTY

(This page left blank intentionally.)

MARION COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,651,434	682,947	3,334,381
Investments		1,328,149	1,328,149
Property tax receivable	7,341,866		7,341,866
Accounts receivable (net of allowance for uncollectibles of \$ 246,777)		524,402	524,402
Fines receivable (net of allowance for uncollectibles of \$2,006,703)	389,488		389,488
Intergovernmental receivables	154,970	591,641	746,611
Other receivables	2,608	31,709	34,317
Internal balances	139,218	(139,218)	0
Deferred charges - bond issuance costs		140,321	140,321
Restricted assets			
Capital assets:			
Land and construction in progress	397,599	60,000	457,599
Other capital assets, net	24,997,068	7,775,990	32,773,058
Total Assets	<u>36,074,251</u>	<u>10,995,941</u>	<u>47,070,192</u>
LIABILITIES			
Claims payable	343,485	192,412	535,897
Intergovernmental payables	408,234		408,234
Accrued interest payable	46,327	24,614	70,941
Deferred revenue	7,341,866		7,341,866
Unearned revenue		130,050	130,050
Other payables	89,114		89,114
Long-term liabilities			
Due within one year:			
Capital debt	399,319	637,630	1,036,949
Non-capital debt	189,239		189,239
Due in more than one year:			
Capital debt	349,667	7,044,792	7,394,459
Non-capital debt	1,780,019		1,780,019
Total Liabilities	<u>10,947,270</u>	<u>8,029,498</u>	<u>18,976,768</u>
NET ASSETS			
Invested in capital assets, net of related debt	24,645,681	153,568	24,799,249
Restricted:			
Expendable:			
General government	3,637		3,637
Debt service		290,240	290,240
Public safety	663,564	2,038,914	2,702,478
Public works	543,525	483,721	1,027,246
Culture and recreation	96,887		96,887
Economic development	4		4
Unemployment compensation	18,073		18,073
Unrestricted	(844,390)		(844,390)
Total Net Assets	<u>\$ 25,126,981</u>	<u>2,966,443</u>	<u>28,093,424</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,126,238	526,482	124,110		(3,475,646)		(3,475,646)
Public safety	3,354,691	481,073	237,277	14,258	(2,622,083)		(2,622,083)
Public works	2,970,184		811,656	209,075	(1,949,453)		(1,949,453)
Health and welfare	430,345		66,877		(363,468)		(363,468)
Culture and recreation	79,448				(79,448)		(79,448)
Conservation of natural resources	66,426				(66,426)		(66,426)
Economic development and assistance	408,516		94,672		(313,844)		(313,844)
Interest on long-term debt	148,945				(148,945)		(148,945)
Total Governmental Activities	<u>11,584,793</u>	<u>1,007,555</u>	<u>1,334,592</u>	<u>223,333</u>	<u>(9,019,313)</u>		<u>(9,019,313)</u>
Business-type activities:							
Marion/Walthall Correctional Facility	4,970,137	4,733,247				(236,890)	(236,890)
Marion County Women's Facility	963,148	888,742				(74,406)	(74,406)
Garbage and solid waste	838,496	819,797				(18,699)	(18,699)
Total Business-type Activities	<u>6,771,781</u>	<u>6,441,786</u>	<u>0</u>	<u>0</u>	<u>(329,995)</u>	<u>(329,995)</u>	<u>(329,995)</u>
Total Primary Government	<u>\$ 18,356,574</u>	<u>7,449,341</u>	<u>1,334,592</u>	<u>223,333</u>	<u>(9,019,313)</u>	<u>(329,995)</u>	<u>(9,349,308)</u>
General revenues:							
Property taxes					\$ 7,186,619	78,753	7,265,372
Road & bridge privilege taxes					303,530		303,530
Grants and contributions not restricted to specific programs					931,703	118,960	1,050,663
Unrestricted interest income					45,470	12,980	58,450
Miscellaneous					575,648	354,372	930,020
Transfers					(8,972)	8,972	0
Total General Revenues and Transfers					<u>9,033,998</u>	<u>574,037</u>	<u>9,608,035</u>
Changes in Net Assets					<u>14,685</u>	<u>244,042</u>	<u>258,727</u>
Net Assets - Beginning					<u>25,112,296</u>	<u>2,722,401</u>	<u>27,834,697</u>
Net Assets - Ending					<u>\$ 25,126,981</u>	<u>2,966,443</u>	<u>28,093,424</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 1,273,788	1,377,646	2,651,434
Property tax receivable	5,607,950	1,733,916	7,341,866
Fines receivable (net of allowance for uncollectibles of \$2,006,703)	389,488		389,488
Intergovernmental receivables	135,552	19,418	154,970
Other receivables	2,608		2,608
Due from other funds	88,809	114,562	203,371
Advances to other funds	73,309	721	74,030
Total Assets	<u>\$ 7,571,504</u>	<u>3,246,263</u>	<u>10,817,767</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 198,358	145,127	343,485
Intergovernmental payables	378,464		378,464
Due to other funds	148,730	18,502	167,232
Advances from other funds	721		721
Deferred revenue	5,997,438	1,733,916	7,731,354
Other payables	89,114		89,114
Total Liabilities	<u>6,812,825</u>	<u>1,897,545</u>	<u>8,710,370</u>
Fund balances:			
Nonspendable:			
Advances	73,309	721	74,030
Restricted for:			
General government		3,637	3,637
Public safety		662,843	662,843
Public works		543,525	543,525
Culture and recreation		96,887	96,887
Economic development and assistance		4	4
Debt service		23,028	23,028
Unemployment compensation		18,073	18,073
Assigned to:			
General government	16,256		16,256
Unassigned	669,114		669,114
Total Fund Balances	<u>758,679</u>	<u>1,348,718</u>	<u>2,107,397</u>
Total Liabilities and Fund Balances	<u>\$ 7,571,504</u>	<u>3,246,263</u>	<u>10,817,767</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,107,397
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$48,527,167.	25,394,667
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	389,488
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,718,244)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(46,327)</u>
Total Net Assets - Governmental Activities	\$ <u><u>25,126,981</u></u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	<u>Major Funds</u>		
	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
REVENUES			
Property taxes	\$ 5,566,703	1,619,916	7,186,619
Road and bridge privilege taxes		303,530	303,530
Licenses, commissions and other revenue	320,519	8,379	328,898
Fines and forfeitures	257,605		257,605
Intergovernmental revenues	813,916	1,675,712	2,489,628
Charges for services	50,620	307,041	357,661
Interest income	28,323	17,147	45,470
Miscellaneous revenues	417,101	158,547	575,648
Total Revenues	<u>7,454,787</u>	<u>4,090,272</u>	<u>11,545,059</u>
EXPENDITURES			
Current:			
General government	3,884,520	231,510	4,116,030
Public safety	2,413,132	814,767	3,227,899
Public works	40,000	2,677,044	2,717,044
Health and welfare	430,345		430,345
Culture and recreation	79,448		79,448
Conservation of natural resources	66,426		66,426
Economic development and assistance	313,844	94,672	408,516
Debt service:			
Principal	218,596	1,037,364	1,255,960
Interest	107,895	57,632	165,527
Total Expenditures	<u>7,554,206</u>	<u>4,912,989</u>	<u>12,467,195</u>
Excess of Revenues over (under) Expenditures	<u>(99,419)</u>	<u>(822,717)</u>	<u>(922,136)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		175,194	175,194
Proceeds from sale of capital assets		327,410	327,410
Transfers in	29,567	238,651	268,218
Transfers out	(178,258)	(98,932)	(277,190)
Total Other Financing Sources and Uses	<u>(148,691)</u>	<u>642,323</u>	<u>493,632</u>
Net Changes in Fund Balances	(248,110)	(180,394)	(428,504)
Fund Balances - Beginning	<u>1,006,789</u>	<u>1,529,112</u>	<u>2,535,901</u>
Fund Balances - Ending	<u>\$ 758,679</u>	<u>1,348,718</u>	<u>2,107,397</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (428,504)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$783,027 exceeded capital outlays of \$412,731 in the current period.	(370,296)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$19,844 and the proceeds from the sale of \$327,410 in the current period.	(347,254)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	63,391
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,255,960 exceeded debt proceeds of \$175,194.	1,080,766
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the decrease in accrued interest payable.	<u>16,582</u>
Change in Net Assets of Governmental Activities	\$ <u><u>14,685</u></u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2011

Exhibit 5

Business-type Activities - Enterprise Funds				
Major Funds				
	Marion/Walthall Correctional Facility	Marion County Womens' Facility	Garbage & Solid Waste	Total
ASSETS				
Current assets:				
Cash	\$ 24,009	559,210	99,728	682,947
Investments	1,328,149			1,328,149
Accounts receivable (net of allowance for uncollectibles of \$246,777)			524,402	524,402
Intergovernmental receivables	419,062	172,579		591,641
Other receivables			31,709	31,709
Due from other funds			4,398	4,398
Total Current Assets	1,771,220	731,789	660,237	3,163,246
Noncurrent assets:				
Deferred charge - bond issuance costs	140,321			140,321
Capital assets:				
Land and construction in progress	60,000			60,000
Other capital assets, net	5,986,717	1,298,073	491,200	7,775,990
Total Noncurrent Assets	6,187,038	1,298,073	491,200	7,976,311
Total Assets	7,958,258	2,029,862	1,151,437	11,139,557
LIABILITIES				
Current liabilities:				
Claims payable	150,887	19,230	22,295	192,412
Due to other funds	46,510	9,638	14,159	70,307
Advances from other funds	56,830	8,415	8,064	73,309
Accrued interest payable	17,158	5,508	1,948	24,614
Unearned revenue			130,050	130,050
Capital debt:				
Other long-term liabilities	473,595	90,000	74,035	637,630
Total Current Liabilities	744,980	132,791	250,551	1,128,322
Noncurrent liabilities:				
Capital debt:				
Other long-term liabilities	5,283,813	1,495,000	265,979	7,044,792
Total Noncurrent Liabilities	5,283,813	1,495,000	265,979	7,044,792
Total Liabilities	6,028,793	1,627,791	516,530	8,173,114
NET ASSETS				
Invested in capital assets, net of related debt	289,309	(286,927)	151,186	153,568
Restricted for:				
Debt service		290,240		290,240
Public safety	1,640,156	398,758		2,038,914
Public works			483,721	483,721
Total Net Assets	\$ 1,929,465	402,071	634,907	2,966,443

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			
	Major Funds			
	Marion/Walthall Correctional Facility	Marion County Womens' Facility	Garbage & Solid Waste	Totals
Operating Revenues				
Charges for services	\$ 4,733,247	888,742	819,797	6,441,786
Miscellaneous	302,872	5,467	41,583	349,922
Total Operating Revenues	5,036,119	894,209	861,380	6,791,708
Operating Expenses				
Personal services	2,807,612	548,829	352,498	3,708,939
Contractual services	573,294	151,410	301,379	1,026,083
Materials and supplies	1,112,725	153,799	126,770	1,393,294
Depreciation expense	166,017	31,780	29,819	227,616
Indirect administrative cost	46,510	9,638	14,159	70,307
Total Operating Expenses	4,706,158	895,456	824,625	6,426,239
Operating Income (Loss)	329,961	(1,247)	36,755	365,469
Nonoperating Revenues (Expenses)				
Property tax			78,753	78,753
Interest income	3,737	7,576	1,667	12,980
Grant & contributions not restricted to specific programs	46,765		72,195	118,960
Gain (loss) on sale of capital assets	(598)		5,048	4,450
Interest expense	(253,468)	(67,692)	(13,871)	(335,031)
Amortization of deferred charges - bond issuance costs	(10,511)			(10,511)
Net Nonoperating Revenue (Expenses)	(214,075)	(60,116)	143,792	(130,399)
Net Income (Loss) Before Transfers	115,886	(61,363)	180,547	235,070
Transfers in	52,582	154,094		206,676
Transfers out	(177,830)	(19,786)	(88)	(197,704)
Changes in Net Assets	(9,362)	72,945	180,459	244,042
Net Assets - Beginning	1,938,827	329,126	454,448	2,722,401
Net Assets - Ending	\$ 1,929,465	402,071	634,907	2,966,443

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2011

Exhibit 7

Business-type Activities - Enterprise Funds				
Major Funds				
	Marion/Walthall Correctional Facility	Marion County Womens' Facility	Garbage & Solid Waste	Totals
Cash Flows From Operating Activities				
Receipts from customers	\$ 4,668,662	876,684	878,445	6,423,791
Payments to suppliers	(1,674,065)	(310,192)	(637,852)	(2,622,109)
Payments to employees	(2,807,512)	(549,055)	(372,513)	(3,729,080)
Other operating cash receipts	302,872	5,467	139,833	448,172
Net Cash Provided (Used) by Operating Activities	<u>489,957</u>	<u>22,904</u>	<u>7,913</u>	<u>520,774</u>
Cash Flows From Noncapital Financing Activities				
Intergovernmental grants received	46,765		72,195	118,960
Cash received from property taxes			78,603	78,603
Cash received from other funds:				
Operating transfers in	52,582	154,094		206,676
Cash paid to other funds:				
Operating transfers out	(177,830)	(19,786)	(88)	(197,704)
Interfund loan repayments			(17,695)	(17,695)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(78,483)</u>	<u>134,308</u>	<u>133,015</u>	<u>188,840</u>
Cash Flows From Capital and Related Financing Activities				
Proceeds of long-term debt			362,229	362,229
Proceeds from sale of capital assets			17,575	17,575
Acquisition and construction of capital assets	(16,073)		(285,344)	(301,417)
Principal paid on long-term debt	(475,000)	(85,000)	(387,215)	(947,215)
Interest paid on debt	(238,758)	(68,011)	(13,871)	(320,640)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(729,831)</u>	<u>(153,011)</u>	<u>(306,626)</u>	<u>(1,189,468)</u>
Cash Flows From Investing Activities				
Interest on deposits	3,737	7,576	1,667	12,980
Net Cash Provided (Used) by Investing Activities	<u>3,737</u>	<u>7,576</u>	<u>1,667</u>	<u>12,980</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(314,620)	11,777	(164,031)	(466,874)
Cash and Cash Equivalents at Beginning of Year	<u>1,666,778</u>	<u>547,433</u>	<u>263,759</u>	<u>2,477,970</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,352,158</u>	<u>559,210</u>	<u>99,728</u>	<u>2,011,096</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss)	\$ 329,961	(1,247)	36,755	365,469
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	166,017	31,780	29,819	227,616
Provision for uncollectible accounts			33,422	33,422
Changes in assets and liabilities:				
(Increase) decrease in accounts receivable			(104,444)	(104,444)
(Increase) decrease in intergovernmental receivables	(64,811)	(12,058)		(76,869)
(Increase) decrease in interfund receivables	226			226
(Increase) decrease in other receivables			(9,033)	(9,033)
Increase (decrease) in claims payable	12,054	(4,983)	(91,448)	(84,377)
Increase (decrease) in interfund payables	(10,320)	997	6,095	(3,228)
Increase (decrease) in advances from other funds	56,830	8,415	8,064	73,309
Increase (decrease) in unearned revenue			98,683	98,683
Total Adjustments	<u>159,996</u>	<u>24,151</u>	<u>(28,842)</u>	<u>155,305</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 489,957</u>	<u>22,904</u>	<u>7,913</u>	<u>520,774</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 352,316
Due from other funds	29,770
Total Assets	\$ <u>382,086</u>
LIABILITIES	
Amounts held in custody for others	\$ 206,176
Intergovernmental payables	175,910
Total Liabilities	\$ <u>382,086</u>

The notes to the financial statements are an integral part of this statement.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Marion County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Marion County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Marion General Hospital
- Tri-Community Fire District
- Southwest Marion Fire District
- South Marion Fire District
- Pineburr Fire District
- Foxworth Fire District
- Morgantown Fire District
- Marion County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The Statement of Net Assets presents the financial condition of the governmental activities-and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activities or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

The county reports the following major Proprietary Funds:

Marion/Walthall Correctional Facility Fund - This fund is used to account for the county's activities of the men's correctional facility within the county.

Marion County Women's Facility Fund - This fund is used to account for the county's activities of the women's correctional facility within the county.

Garbage and Solid Waste Fund - This fund is used to account for the county's activities of disposal of garbage and solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

PROPRIETARY FUND TYPES

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972).

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$3,686,697, and the bank balance was \$4,006,600. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Marion/Walshall Correctional Facility.

Investments balances at September 30, 2011, are as follows:

Investment Type	Maturities		Fair Value	Rating
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$	1,328,149	AAAm

The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

Concentration of Credit Risk. The county places no limit on the amount the county may invest in any one issuer. All of the county's investments are in the Hancock Horizon Government Money Market Mutual Fund and are reported in the Marion/Walshall Correctional Facility Fund.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 18,502
General	Marion/Walthall Correctional Facility	46,510
General	Marion County Women's Facility	9,638
General	Garbage and Solid Waste	14,159
Other Governmental Funds	General	114,562
Garbage and Solid Waste	General	4,398
Agency Funds	General	29,770
Total		\$ 237,539

The General Fund receivable from the Marion/Walthall Correctional Facility and the Marion County Women's Facility represents the indirect cost incurred during the year. The General Fund receivable from the Garbage and Solid Waste Fund represents the indirect cost incurred during the year and amounts spent in excess of revenues for the year. The Other Governmental Funds, Garbage and Solid Waste Fund and Agency Funds receivables represent the tax revenue collected but not settled until October, 2011. The Other Governmental Funds payable represents amounts spent in excess of revenues for the year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

Receivable Fund	Payable Fund	Amount
General	Marion/Walthall Correctional Facility	\$ 56,830
General	Marion County Women's Facility	8,415
General	Garbage and Solid Waste	8,064
Other Governmental Funds	General	721
Total		\$ 74,030

The General Fund receivable from the Marion/Walthall Correctional Facility, Marion County Women's Facility and Garbage and Solid Waste represents the indirect cost incurred during the prior year. The amount payable to the Other Governmental Funds is for prior year interest allocation.

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 29,567
Other Governmental Funds	General Fund	178,258
Other Governmental Funds	Other Governmental Funds	36,569
Other Governmental Funds	Marion/Walthall Correctional Facility	23,736
Other Governmental Funds	Garbage and Solid Waste	88
Marion/Walthall Correctional Facility	Other Governmental Funds	32,796
Marion/Walthall Correctional Facility	Marion County Women's Facility	19,786
Marion County Women's Facility	Marion/Walthall Correctional Facility	154,094
Total		\$ 474,894

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

The principal purpose of interfund transfers was to cover operating expenditures for funds, to transfer funds from the General Fund to the Unemployment Compensation Fund to meet minimum balance requirements, to reimburse expenditures made for other funds, to correct errors, and to provide funds for debt service requirements. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 130,176
Emergency management grant	5,376
CDBG Grant	19,418
Total Governmental Activities	\$ <u>154,970</u>
Business-type Activities:	
Reimbursement for housing prisoners	\$ <u>591,641</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 393,674	4,000	75		397,599
Total non-depreciable capital assets	<u>393,674</u>	<u>4,000</u>	<u>75</u>	<u>0</u>	<u>397,599</u>
<u>Depreciable capital assets:</u>					
Infrastructure	63,622,084				63,622,084
Buildings	3,943,245	176,657			4,119,902
Improvements other than buildings	88,395				88,395
Mobile equipment	3,999,029	106,880	289,008		3,816,901
Furniture and equipment	858,540		5,156		853,384
Leased property under capital leases	<u>1,199,120</u>	<u>125,194</u>	<u>300,745</u>		<u>1,023,569</u>
Total depreciable capital assets	<u>73,710,413</u>	<u>408,731</u>	<u>594,909</u>	<u>0</u>	<u>73,524,235</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	42,432,509	152,626			42,585,135
Buildings	1,816,909	169,327			1,986,236
Improvements other than buildings	31,833	3,537			35,370
Mobile equipment	2,804,641	223,450	179,729		2,848,362
Furniture and equipment	557,196	148,580	5,104		700,672

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

	Balance Oct. 1, 2010	Additions	Deletions	Adjustments	Balance Sept. 30, 2011
Leased property under capital leases	348,782	85,507	62,897		371,392
Total accumulated depreciation	47,991,870	783,027	247,730	0	48,527,167
Total depreciable capital assets, net	25,718,543	(374,296)	347,179	0	24,997,068
Governmental activities capital assets, net	\$ 26,112,217	(370,296)	347,254	0	25,394,667
Business-type activities:					
	Balance Oct. 1, 2010	Additions	Deletions	Adjustments*	Balance Sept. 30, 2011
<u>Non-depreciable capital assets:</u>					
Land	\$ 60,000				60,000
Construction in progress	192,133	158,679		(350,812)	
Total non-depreciable capital assets	252,133	158,679	0	(350,812)	60,000
<u>Depreciable capital assets:</u>					
Buildings	8,779,838			350,812	9,130,650
Mobile equipment	638,787	14,231	125,276		527,742
Furniture and equipment	132,592	16,073	5,976		142,689
Leased property under capital leases		112,434			112,434
Total depreciable capital assets	9,551,217	142,738	131,252	350,812	9,913,515
<u>Less accumulated depreciation for:</u>					
Buildings	1,370,471	182,616			1,553,087
Mobile equipment	551,606	10,113	112,749		448,970
Furniture and equipment	105,959	14,648	5,378		115,229
Leased property under capital leases		20,239			20,239
Total accumulated depreciation	2,028,036	227,616	118,127	0	2,137,525
Total depreciable capital assets, net	7,523,181	(84,878)	13,125	350,812	7,775,990
Business-type activities capital assets, net	\$ 7,775,314	73,801	13,125	0	7,835,990

*Adjustments are to reclassify completed construction in progress projects.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 190,865
Public safety	203,292
Public works	388,870
	<hr/>
Total governmental activities depreciation expense	\$ 783,027
	<hr/>
Business-type activities:	
Marion/Walthall Correctional Facility	\$ 166,017
Marion County Women's Facility	31,780
Garbage and Solid Waste	29,819
	<hr/>
Total business-type activities depreciation expense	\$ 227,616
	<hr/>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Classes of Property	Governmental Activities
	<hr/>
Governmental Activities:	
Mobile equipment	\$ 1,023,569
Less: Accumulated depreciation	371,392
	<hr/>
Leased Property Under Capital Leases	\$ 652,177
	<hr/>
	Business-Type Activities
	<hr/>
Business-Type Activities:	
Mobile equipment	\$ 112,434
Less: Accumulated depreciation	20,239
	<hr/>
Leased Property Under Capital Leases	\$ 92,195
	<hr/>

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 354,790	17,480	26,887	3,339
2013	198,715	8,166	27,685	2,541
2014	131,411	2,748	28,508	1,718
2015	13,706	405	29,354	872
2016	5,835	44		
Total	\$ 704,457	28,843	112,434	8,470

(9) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Industrial development bonds	\$ 1,760,000	4.75-5.40%	09/2024
B. Equipment Notes:			
District 1 Road equipment note	17,684	3.10%	12/2011
District 1 Road equipment note	9,800	3.35%	12/2011
District 4 Road equipment note	17,045	6.50%	12/2011
Total Equipment Notes	\$ 44,529		
C. Capital Leases:			
Computer equipment	\$ 46,629	3.49%	04/2013
District 2 Case 580-SM loader/backhoe	33,589	4.27%	02/2012
District 4 Volvo motor grader	156,155	3.34%	03/2012
District 2 Caterpillar motor grader	153,759	3.39%	03/2013
District 5 Caterpillar motor grader	156,953	3.39%	03/2014
District 5 Hyundai wheel loader	53,982	3.34%	03/2012
District 4 2011 International truck	58,240	3.05%	02/2016
District 5 New Holland tractor w/ slide mower	45,150	2.49%	03/2013
Total Capital Leases	\$ 704,457		
D. Other Loans:			
Energy services agreement	\$ 170,439	4.35%	06/2014
MDA Energy investment loan	38,819	1.00%	08/2012
Total Other Loans	\$ 209,258		

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. General Obligation Bonds:			
General Obligation Bonds, Series 2009 - Marion/Walthall Correctional Facility	\$ <u>2,920,000</u>	4.00-4.70%	09/2024
B. Limited Obligation Bonds:			
Economic development – Women’s Correctional Facility	<u>1,585,000</u>	3.62-4.50%	03/2023
Urban renewal revenue refunding bonds Marion/Walthall Correctional Facility	<u>2,930,000</u>	2.50-4.00%	02/2018
	\$ <u>4,515,000</u>		
C. Capital Leases:			
2012 International Truck	\$ <u>112,434</u>	2.97%	03/2015
D. Other Loans:			
Hayles Trucking Loan	\$ <u>227,580</u>	5.00%	02/2016

Pledge of Future Revenues - The county has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$3,555,000 in limited obligation urban renewal revenue bonds issued in 2009. Proceeds from the bonds refunded \$3,585,000 of limited obligation urban renewal revenue bonds issued in 1998, which provided financing for the construction of the Marion/Walthall Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through 2018. Annual principal and interest payments on the bonds are expected to require less than 11% of net revenues. The total principal and interest remaining to be paid on the bonds is \$3,328,477. Principal and interest paid for the current year and total inmate housing net revenues were \$478,033 and \$4,733,247, respectively.

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2012	\$ 95,000	91,142
2013	100,000	86,630
2014	105,000	81,880
2015	110,000	76,735
2016	115,000	71,235
2017 – 2021	700,000	257,905
2022 – 2026	<u>535,000</u>	<u>58,965</u>
Total	\$ <u>1,760,000</u>	<u>724,492</u>

MARION COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

Year Ending September 30	Equipment Notes		Other Loans	
	Principal	Interest	Principal	Interest
2012	\$ 44,529	1,008	94,239	6,206
2013			57,880	3,334
2014			57,139	821
Total	\$ 44,529	1,008	209,258	10,361

Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 110,000	128,415	470,000	161,794
2013	115,000	123,575	485,000	146,675
2014	120,000	118,630	520,000	129,634
2015	125,000	113,470	535,000	110,950
2016	130,000	108,095	555,000	91,168
2017 – 2021	740,000	451,425	1,615,000	189,660
2022 – 2026	920,000	280,305	335,000	15,187
2027 – 2031	660,000	62,770		
Total	\$ 2,920,000	1,386,685	4,515,000	845,068

Year Ending September 30	Other Loans	
	Principal	Interest
2012	\$ 47,148	10,477
2013	49,624	8,001
2014	52,199	5,426
2015	54,907	2,703
2016	23,702	301
Total	\$ 227,580	26,908

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 2.75% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2011, \$ 3,583,087 of bonds outstanding were considered defeased.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,855,000		95,000		1,760,000	95,000
Equipment notes	210,348		165,819		44,529	44,529
Capital leases	905,337	125,194	326,074		704,457	354,790
Other loans	828,325	50,000	669,067		209,258	94,239
Total	\$ 3,799,010	175,194	1,255,960	0	2,718,244	588,558
Business-type Activities:						
General obligation bonds	\$ 3,025,000		105,000		2,920,000	110,000
Limited obligation bonds	4,970,000		455,000		4,515,000	470,000
Less: deferred amounts for premium	43,126		2,611		40,515	2,611
On refunding	(152,123)		(19,016)		(133,107)	(19,016)
Capital leases		112,434			112,434	26,887
Other loans	365,000	249,795	387,215		227,580	47,148
Total	\$ 8,251,003	362,229	930,810	0	7,682,422	637,630

(10) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Economic Development Note Contingencies - The county issues notes payable to provide funds for constructing and improving infrastructure for the purpose of economic development. The notes are paid by the Marion County Economic Development District, a component unit of the county. However, the county remains contingently liable for the retirement of these notes because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the Marion County Economic Development District. The principal amount of notes payable outstanding at September 30, 2011, is \$535,557.

(11) Related Organizations.

The Marion County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Columbia-Marion County Airport Authority, but the county's accountability for this organization does not extend beyond making the appointment. The county appropriated \$40,000 for the airport's support in fiscal year 2011.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(12) Joint Ventures.

The county participates in the following joint ventures:

Marion County is a participant with Jefferson Davis County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Marion County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$340,618 for maintenance and support of the college in fiscal year 2011.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Marion County Board of Supervisors appoints one of the nine members of the board of directors. The county contributed \$100,000 for support of the district in fiscal year 2011.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Marion County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$53,174 for support of the district in fiscal year 2011.

Pearl River Valley Opportunity, Inc. operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Marion County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Marion County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$70,000 for support of the entity in fiscal year 2011.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

MARION COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(14) Defined Benefit Pension Plan.

Plan Description. Marion County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$627,381, \$631,659 and \$599,623, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Marion County evaluated the activity of the county through January 7, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/20/2011	3.22%	\$ 3,150,000	Limited obligation refunding bond	Hospital tax revenue
11/15/2011	2.69%	14,100	Capital lease	District 1 tax revenue
11/15/2011	2.88%	81,200	Capital lease	General fund tax revenue
12/15/2011	3.50%	30,874	Other Loan	District 2 tax revenue
12/20/2011	2.54%	83,466	Capital lease	District 4 tax revenue
01/20/2012	4.27%	64,795	Capital lease	District 2 tax revenue
02/06/2012	3.34%	47,500	Capital lease	District 5 tax revenue
02/16/2012	3.39%	203,378	Capital lease	District 2 tax revenue
03/12/2012	3.49%	48,665	Equipment Note	District 2 tax revenue
03/22/2012	1.50-2.65%	1,505,000	General obligation refunding bond	Operating revenue
03/25/2012	3.04%	150,292	Capital lease	District 4 tax revenue
04/16/2012	3.49%	48,665	Equipment Note	District 3 tax revenue
07/02/2012	2.50%	30,000	Other Loan	District 5 tax revenue
08/15/2012	3.20%	49,500	Equipment Note	District 1 tax revenue
09/21/2012	2.70%	86,250	Equipment Note	District 1 tax revenue
11/08/2012	1.23%	10,000	Short Term Loan	District 5 tax revenue
11/14/2012	1.23%	20,000	Short Term Loan	District 4 tax revenue
11/28/2012	1.23%	20,000	Short Term Loan	District 5 tax revenue

MARION COUNTY

(This page left blank intentionally.)

MARION COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARION COUNTY

(This page left blank intentionally.)

MARION COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 5,764,122	5,549,925	5,549,925	
Licenses, commissions and other revenue	344,000	321,670	321,670	
Fines and forfeitures	254,000	271,983	271,983	
Intergovernmental revenues	750,559	772,644	772,644	
Charges for services	80,000	76,471	76,471	
Interest income	31,000	29,573	29,573	
Miscellaneous revenues	166,736	442,062	442,062	
Total Revenues	<u>7,390,417</u>	<u>7,464,328</u>	<u>7,464,328</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,996,431	4,065,369	4,065,369	
Public safety	2,264,114	2,439,177	2,439,177	
Public works	40,000	40,000	40,000	
Health and welfare	378,456	437,058	437,058	
Culture and recreation	85,042	81,395	81,395	
Conservation of natural resources	73,389	65,993	65,993	
Economic development and assistance	511,885	504,499	504,499	
Debt service	99,426	39,207	39,207	
Total Expenditures	<u>7,448,743</u>	<u>7,672,698</u>	<u>7,672,698</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(58,326)</u>	<u>(208,370)</u>	<u>(208,370)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	40,000	30,814	30,814	
Other financing uses	<u>(428,600)</u>	<u>(278,195)</u>	<u>(278,195)</u>	
Total Other Financing Sources and Uses	<u>(388,600)</u>	<u>(247,381)</u>	<u>(247,381)</u>	<u>0</u>
Net Change in Fund Balance	(446,926)	(455,751)	(455,751)	
Fund Balances - Beginning	<u>510,000</u>	<u>888,784</u>	<u>888,784</u>	
Fund Balances - Ending	<u>\$ 63,074</u>	<u>433,033</u>	<u>433,033</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

MARION COUNTY

(This page left blank intentionally.)

MARION COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

		Governmental Fund Types
		General Fund
Budget (Cash Basis)	\$	(455,751)
Increase (Decrease)		
Net adjustments for revenue accruals		(13,542)
Net adjustments for expenditure accruals		150,876
Other reconciling items:		
Repayment of interfund loans		70,307
GAAP Basis	\$	(248,110)

MARION COUNTY

(This page left blank intentionally.)

MARION COUNTY

SPECIAL REPORTS

MARION COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Marion County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated January 7, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marion County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 11-1, 11-2, 11-3 and 11-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying Schedule of Findings and Responses as item 11-4.

We also noted certain matters that we reported to the management of Marion County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated January 7, 2013, included within this document.

Marion County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Marion County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Dooss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 7, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Marion County, Mississippi

We have examined Marion County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Marion County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

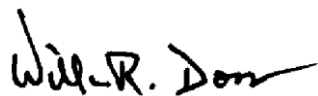
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Marion County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Marion County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Marion County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is fluid and cursive, with a long horizontal stroke at the end.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 7, 2013

MARION COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Our test results did not identify any purchases from other than the lowest bidder.

MARION COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

MARION COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Our test results did not identify any purchases made noncompetitively from a sole source.

MARION COUNTY

(This page left blank intentionally.)



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Marion County, Mississippi

In planning and performing our audit of the financial statements of Marion County, Mississippi for the year ended September 30, 2011, we considered Marion County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Marion County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated January 7, 2013, on the financial statements of Marion County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Interfund transfers should be recorded in board minutes.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record to be maintained for the proceedings of the Board of Supervisors. Interfund transfers were not spread upon the minutes. Failure to properly document authorizations for interfund transfers by the board could result in erroneous amounts being reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should ensure that all interfund transfers are spread on the Board of Supervisor's minutes.

Board of Supervisors' Response

We will comply. The transfers have been approved and noted in the minutes.

2. Statutory balances should be maintained in the Unemployment Comp Fund.

Finding

Section 71-5-359(5), Miss. Code Ann. (1972), requires that a balance be maintained in the Unemployment Comp Fund at an amount no less than two percent (2%) of the covered wages paid during the next preceding year. The cash balance was below the amount required by state statute. At September 30, 2011, the cash balance was \$35,491 and the minimum required amount was \$43,350.

Recommendation

The Board of Supervisors should ensure that sufficient funds are maintained in the Unemployment Compensation Fund at an amount that is not less than two percent (2%) of the covered wages paid during the next preceding year, as required by law.

Board of Supervisors' Response

This problem will be taken care of.

3. Forms for employing retired service employees should be properly completed.

Finding

Section 25-11-127, Miss. Code Ann. (1972), requires counties hiring service retirees to notify PERS in writing by completing Form 4B "Certification/Acknowledgement of Reemployment of Retiree" with PERS office. The Form 4B indicates the amount that will be earned during the employment period. During our review of these forms, we noted one instance in which the amount the employee was to earn was not entered on the form and one instance of an employee being paid more than the amount noted on Form 4B. Failure to keep completed forms and monitor the amounts paid retirees could result in the Mississippi Public Employees Retirement System assessing a penalty against the County.

Recommendation

The Payroll Clerk should ensure that PERS Forms 4B are completed and monitor the amounts paid to retirees to ensure that they are not paid more than allowed.

Board of Supervisors' Response

We will comply. Problem has been corrected.

Marion County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

January 7, 2013

MARION COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MARION COUNTY

(This page left blank intentionally.)

MARION COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Marion/Walthall Correctional Facility Fund | Unqualified |
| | Marion County Women's Facility Fund | Unqualified |
| | Garbage and Solid Waste Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

11-1. Discretely Presented Component Units Should Be Included in the Financial Statements.

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for the county's legally separate component units. As reported in the prior four years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Board of Supervisors' Response

We will comply.

MARION COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2011

Board of Supervisors.

Material Weakness

- 11-2 The County should establish controls to ensure accurate presentation of the financial statements.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures, proper classification of funds, proper classification of revenues and expenditures/expenses, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements. During our audit, we noted an amount representing an other loan was not reported on the compiled financial statements. An adjustment in the amount of \$249,795 was proposed in order to correctly record the issuance of the debt. This error resulted in long term liabilities being understated by \$227,580 for the Garbage and Solid Waste Fund and Business Type Activities opinion units, respectively. Audit adjustments to correct this error were proposed to management and made to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper classification of funds, proper accrual of revenues and expenditures, proper classification of revenues and expenditures/expenses, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements.

Board of Supervisor's Response:

We will comply

Justice Court Clerk.

Material Weakness

- 11-3 Justice Court Clerk Should Make Timely Deposits.

Finding

An effective system of internal controls over cash requires that daily bank deposits be made. The Justice Court Clerk failed to make daily deposits throughout the fiscal year. Failure to make daily deposits could result in the misappropriation of public funds.

Recommendation

The Justice Court Clerk should implement internal controls to ensure that daily bank deposits are made.

Justice Court Clerk's Response

I took office in August 2011 and deposits have been made daily since.

Board of Supervisors.

Material Weakness

Material Noncompliance

- 11-4. The County should establish controls to ensure that loans are made with appropriate legal authority.

Finding

An effective system of internal control over debt should include steps to ensure that loans are made with the appropriate legal authority. The Board of Supervisors of Marion County entered into a loan with a private trucking company as part of a contract for the costs of construction and operation of the solid waste transfer station in Foxworth, Mississippi. The process through which this loan was established is not one that is authorized by statute. The failure to enter into a loan with proper authorization could result in higher borrowing costs to the county, and the nature in which this transaction was executed may exclude potential interested parties from bidding on such contracts.

Recommendation

The Board of Supervisors should implement a system of internal control over debt that ensures that all new debt issuances are properly authorized by state statute. The portion of the existing contract with the private trucking company involving the repayment of the construction costs should be amended and removed. The county should pay the amount borrowed for construction or borrow the funds through other alternative legal means.

Board of Supervisors' Response

The Board of Supervisors will implement a system of internal control over debt to ensure that all new debt issuances are properly authorized by state statute. The Board of Supervisors will solicit proposals from lending institutions pursuant to §17-27-51, et. Seq. of the Mississippi Code of 1972, as amended, in order to secure funds necessary to pay the amount owed to the private trucking company for construction costs. The contract of the private trucking company will be amended to remove provisions relating to the repayment of construction costs.